

Federal Budget Estimates for Fiscal Year 2006

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ON February 7, 2005, the President of the United States of America submitted the *Federal Budget of the United States Government, Fiscal Year 2006* to Congress.¹ The Federal budget proposes continued funding for the war on terrorism and homeland security and reductions in nondefense discretionary spending. It proposes to permanently extend various tax cuts and expiring tax provisions. In addition, it proposes to introduce several tax incentives to promote economic growth.

For fiscal year 2006, the Federal budget projects a \$390.1 billion deficit, a \$36.5 billion decrease from the \$426.6 billion deficit that is projected for fiscal year 2005. Fiscal year 2004 ended with a \$412.1 billion deficit.²

Each year, the Bureau of Economic Analysis adjusts the Federal budget estimates of receipts and outlays from the *Budget of the United States Government* so that these estimates are consistent with the national income and product accounts (NIPAs); the adjusted estimates are then used to prepare quarterly estimates of Federal Government current receipts and current expenditures. The NIPA framework, which differs in concept and timing from the budget, aims to show the composition of production and the distribution of the incomes earned in production (see the box). The NIPA framework thus provides a way to gauge the effects of the Federal budget on aggregate measures of U.S. economic activity, such as gross domestic product. The NIPA estimates are based on the same economic assumptions about unemployment, inflation and long-term interest rates that underlie the budget.³

Highlights of the NIPA and budget estimates presented in this article include the following:

- Net Federal Government saving for fiscal year 2006 is projected to be -\$392.5 billion, a \$10.0 billion

increase from net Federal Government saving of -\$402.5 billion that is projected for fiscal year 2005.

- Proposed legislative and program changes would add \$28.8 billion to the Federal budget deficit in fiscal year 2006; the increase mainly reflects a proposed supplemental appropriation to fund costs in Iraq and Afghanistan.

The rest of this article is divided into four sections. First, the budget estimates are summarized, and the effects of the major legislative proposals and program changes on the budget are reviewed. Second, the budget projections and the NIPA estimates are compared. Third, annual and quarterly NIPA estimates for fiscal years 2005 and 2006 are presented based on the budget. Fourth, the methodology used to translate budget projections into the NIPA framework is explained.

The Budget Estimates

Federal budget receipts in fiscal year 2006 are projected to increase \$124.7 billion, to \$2,177.6 billion (table 1). Federal budget receipts in fiscal year 2005 are estimated to be \$2,052.8 billion, a \$172.8 billion increase. The deceleration in 2006 is more than accounted for by a downturn in corporation income taxes, which would decrease \$6.3 billion after increasing \$37.2 billion in 2005, and by a deceleration in individual income taxes, which would increase \$73.2 billion after increasing \$84.7 billion.

Federal budget outlays in 2006 are projected to increase \$88.2 billion, to \$2,567.6 billion (table 2). Federal budget outlays in 2005 are estimated to be \$2,479.4 billion, a \$187.2 billion increase. The deceleration in 2006 is accounted for by downturns in outlays for allowances, for national defense, for agriculture, for

Table 1. Budget Receipts by Source

[Billions of dollars]

	Line	Level for fiscal year				Change from preceding year		
		2003	2004	2005	2006	2004	2005	2006
Budget receipts	1	1,782.3	1,880.1	2,052.8	2,177.6	97.7	172.8	124.7
Individual income taxes.....	2	793.7	809.0	893.7	966.9	15.3	84.7	73.2
Social insurance taxes and contributions.....	3	713.0	733.4	773.7	818.8	20.4	40.3	45.1
Corporation income taxes.....	4	131.8	189.4	228.5	220.3	57.6	37.2	-6.3
Excise taxes.....	5	67.5	69.9	74.0	75.6	2.3	4.2	1.6
Miscellaneous receipts.....	6	34.5	32.6	36.4	41.6	-2.0	3.9	5.2
Estate and gift taxes.....	7	22.0	24.8	23.8	26.1	2.9	-1.1	2.4
Customs duties.....	8	19.9	21.1	24.7	28.3	1.2	3.6	3.6

Source: *Budget of the United States Government, Fiscal Year 2006*.

1. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006* (Washington, DC: U.S. Government Printing Office, 2005); <www.whitehouse.gov/omb/budget/fy2006/budget.html>.

2. These estimates of the Federal budget are derived from all Federal transactions; they are the difference between the unified budget receipts and the unified budget outlays. Other measures of the Federal budget that differ from these measures present off-budget and on-budget transactions and trust funds surplus and Federal funds deficit.

3. See "Economic Assumptions," in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006*, 187-197.

NIPA Estimates of the Federal Sector and the Federal Budget Estimates

The Bureau of Economic Analysis (BEA) prepares estimates of the Federal sector in the framework of the national income and product accounts (NIPAs). Unlike the Federal budget, which is a financial plan of the Government, the NIPA Federal estimates are designed to facilitate macroeconomic analyses of the effects of changes in Federal Government current receipts, current expenditures, and gross investment on gross domestic product (GDP) and its components, on national and personal income, and on national saving.¹

One of the key differences between the NIPA estimates and the budget estimates is that in the NIPAs, current transactions are distinguished from capital transactions. Current transactions for production, for income, and for consumption are presented in the summary NIPA accounts 1–5, and capital transactions for the acquisition and disposal of nonfinancial assets are presented in summary NIPA account 6.² Because of this organization of the accounts, the following types of transactions are not included in NIPA Federal Government current receipts and current expenditures:

- **Government investment in fixed assets.** In the NIPAs, government consumption expenditures exclude investment in fixed assets and include consumption of fixed capital, a depreciation charge on fixed assets that are used in production.
- **Transfers involving the acquisition or the disposal of assets.** In the NIPAs, these transactions are classified as capital transfer receipts and payments and are presented in the domestic capital account.³ Capital transfers include certain investment grants-in-aid to state and local governments, investment subsidies to businesses, lump-sum payments to amortize the unfunded liability of the Uniformed Services Retiree Health Care Fund, and estate and gift taxes.
- **Transactions involving nonproduced assets.** In the NIPAs, purchases and sales of nonproduced assets, such as land and the radio spectrum, are included in “net lending or net borrowing (–)” in the domestic capital account.

The NIPA estimates also differ from the budget estimates because of the scope and coverage of the Federal Government sector. These differences include the following:

- **Retirement plans.** Government employee contributions to retirement plans are included in budget receipts, but they are excluded from NIPA Federal Government current

receipts because they are included in personal income as part of the income of employees. Similarly, Federal employee retirement benefits are included in budget outlays, but they are excluded from NIPA Federal Government current expenditures because the benefits are paid from assets that are treated as a part of the personal sector.

- **Other differences.** The NIPAs exclude transactions with the residents of Puerto Rico and the U.S. Territories, and the Federal Communication Commission (FCC) Universal Service Fund.

Receipts

NIPA Federal Government current receipts differ from Federal budget receipts because of differences in coverage, netting and grossing, and timing.⁴ For most years, the differences between NIPA current receipts and budget receipts primarily reflect capital transfers received, supplementary medical insurance premiums, and personal and business current transfer receipts. (Personal and business current transfer receipts are classified as receipts in the NIPAs and are netted against outlays in the budget.)

Expenditures

NIPA Federal Government current expenditures differ from Federal budget outlays because of differences in coverage, netting and grossing, and timing (see footnote 4). For most years, the differences between NIPA current expenditures and budget outlays primarily reflect capital transfers paid, Federal employee retirement plan transactions, and personal and business current transfer receipts.

In the NIPA framework, budget outlays for national defense and nondefense are reflected in both consumption expenditures and gross investment. For national defense, the budget outlays differ from the NIPA estimates for several reasons:

- The NIPA measure includes general government consumption of fixed capital.
- In the NIPAs, cash payments to amortize the unfunded liability for military and civilian retirement benefits are included as defense consumption expenditures; the budget records these payments as intergovernmental transactions.
- NIPA expenditures are recorded on a delivery (accrual) basis, and budget outlays are recorded on a cash basis; thus, in the NIPAs, all work in progress (except ships and structures) are included in the change-in-private-inventories component of GDP. When the equipment is delivered, a decrease in private inventories is recorded that is offset by an increase in government consumption expenditures and gross investment.

1. For a comparison, see tables 4 and 5 and NIPA table 3.18B. See also “National Income and Product Accounts” in *Analytical Perspectives: Budget of the United States Government*, 227–232.

2. Current transactions are presented in the “Domestic Income and Product Account,” “Private Enterprise Income Account,” “Personal Income and Outlay Account,” “Government Receipts and Expenditures Account,” and “Foreign Transactions Current Account.” Capital transactions are presented in the “Domestic Capital Account.” See “Summary National Income and Product Accounts,” *SURVEY OF CURRENT BUSINESS* 84 (August 2004): 36–37. The Federal Government components of the domestic capital account are often shown as addenda in tables presenting Federal Government current receipts and expenditures.

3. The flow-of-funds accounts from the Federal Reserve Board present detailed information on the acquisition and disposal of financial assets and liabilities by U.S. economic sectors, including the Federal Government.

4. The differences in coverage arise because certain transactions that are excluded from the NIPAs are included in the budget (and vice versa). The differences in netting and grossing arise because certain transactions are recorded as offsets to outlays in the budget, but they are recorded as receipts in the NIPAs (and vice versa). The differences in timing arise because in the budget, most receipts and outlays are recorded on a cash basis, and in the NIPAs, some transactions are recorded on an accrual basis.

education, training, employment, and social services, for commerce and housing credit, and for community and regional development and by decelerations in outlays for income security, for veterans benefits and services, and for health. The overall deceleration to budget outlays is tempered by accelerations in outlays for Medicare and net interest.

For allowances, budget outlays would decrease \$10.7 billion after increasing \$34.9 billion.⁴ For national defense, budget outlays would decrease \$18.5 billion after increasing \$10.0 billion in 2005. For agriculture, outlays would decrease \$4.5 billion after increasing \$15.1 billion. For education, training, employment, and social services, budget outlays would decrease \$7.6 billion after increasing \$8.3 billion. For commerce and housing credit, budget outlays would decrease \$3.8 billion after increasing \$5.4 billion. For community and regional development, budget outlays would decrease \$1.0 billion after increasing \$4.3 billion.

For income security, outlays would increase \$8.6 billion after increasing \$18.1 billion. Outlays for veterans benefits and services would increase \$0.2 billion after increasing \$8.4 billion. Outlays for health would increase \$10.9 billion after increasing \$17.7 billion.

Tempering the overall deceleration in budget out-

4. Outlays for allowances include funding for emergencies, such as natural disasters, and for additional defense and nondefense costs. They cover certain budgetary transactions that are expected to increase or to decrease outlays, receipts, or budget authority but that are not reflected in the program details. Allowances in the 2006 budget largely reflect the anticipated supplemental appropriation to fund costs of military operations and reconstruction in Iraq and Afghanistan and Indian Ocean tsunami relief efforts.

Table 2. Budget Outlays by Function
[Billions of dollars]

	Line	Level for fiscal year				Change from preceding year		
		2003	2004	2005	2006	2004	2005	2006
Budget outlays.....	1	2,159.9	2,292.2	2,479.4	2,567.6	132.3	187.2	88.2
Social security.....	2	474.7	495.5	519.7	544.8	20.9	24.1	25.1
National defense.....	3	404.9	455.9	465.9	447.4	51.0	10.0	-18.5
Income security.....	4	334.4	332.8	350.9	359.5	-1.6	18.1	8.6
Medicare.....	5	249.4	269.4	295.4	345.7	19.9	26.1	50.3
Health.....	6	219.6	240.1	257.5	268.4	20.6	17.4	10.9
Net interest.....	7	153.1	160.2	177.9	211.1	7.2	17.7	33.1
Education, training, employment, and social services.....	8	82.6	87.9	96.3	88.7	5.4	8.3	-7.6
Transportation.....	9	67.1	64.6	68.5	70.7	-2.4	3.9	2.2
Veterans benefits and services.....	10	57.0	59.8	68.2	68.4	2.8	8.4	0.2
Administration of justice.....	11	35.3	45.5	40.7	43.1	10.2	-4.9	2.4
International affairs.....	12	21.2	26.9	32.0	38.4	5.7	5.1	6.5
Natural resources and environment.....	13	29.7	30.7	31.0	31.2	1.0	0.2	0.2
Agriculture.....	14	22.5	15.4	30.5	26.0	-7.1	15.1	-4.5
General science, space, and technology.....	15	20.9	23.1	24.0	24.0	2.2	1.0	-0.1
Community and regional development.....	16	18.9	15.8	20.1	19.1	-3.1	4.3	-1.0
General government.....	17	23.1	21.8	18.9	17.8	-1.2	-3.0	-1.1
Commerce and housing credit.....	18	0.7	5.3	10.7	6.8	4.5	5.4	-3.8
Energy.....	19	-0.7	-0.2	1.4	2.1	0.6	1.6	0.7
Allowances ¹	20			34.9	24.2		34.9	-10.7
Undistributed offsetting receipts ²	21	-54.4	-58.5	-65.0	-69.8	-4.2	-6.4	-4.8

1. Allowances are included in budget totals to cover certain budgetary transactions that are expected to increase or decrease outlays, receipts, or budget authority but that are not reflected in the program details. Allowances include funding for emergencies, such as natural disasters, and for additional defense and nondefense costs.

2. Undistributed offsetting receipts are collections that are governmental in nature and that are not credited to expenditure accounts. They fall into two categories: Receipts from performing business-like activities, such as proceeds from selling Federal assets or leases, and shifts from one account to another, such as agency payments to retirement funds.

Source: Budget of the United States Government, Fiscal Year 2006.

lays, outlays for Medicare would increase \$50.3 billion after increasing \$26.1 billion, and outlays for net interest would increase \$33.1 billion after increasing \$17.7 billion.

Proposed legislative and program changes

The budget for fiscal year 2006 proposes changes in legislation and in programs that would increase the Federal deficit by \$36.2 billion in fiscal year 2005 and by \$28.8 billion in fiscal year 2006 (table 3).⁵

5. The estimates of the proposed changes are the differences between the current-services estimates and the actual budget. The current-services estimates in the 2006 budget include certain adjustments that are linked to the administration's budget reform proposals.

Table 3. Proposed Legislative and Program Changes in the Budget
[Billions of dollars]

	Line	Fiscal year	
		2005	2006
Receipts			
Current-services estimates ¹	1	2,053.0	2,177.9
Plus: Proposed legislation excluding proposals assumed in the baseline ²	2	-0.1	-0.3
Extend research and experimentation tax credit	3	0.0	-2.1
Establish Opportunity Zones	4	0.0	-0.4
Permit tax-free withdrawals from IRAs for charitable contributions.....	5	-0.1	-0.3
Provide tax credit for purchase of certain hybrid and fuel cell vehicles	6	0.0	-0.3
Expand tax-free savings opportunities	7	0.0	3.7
Extend abandoned mine reclamation fees.....	8	0.0	0.3
Other.....	9	0.0	-1.2
Equals: The budget.....	10	2,052.8	2,177.6
Outlays			
Current-services estimates ¹	11	2,443.4	2,539.1
Plus: Program changes excluding proposals assumed in the baseline ²	12	36.0	28.5
Allowances ³	13	34.9	24.2
National defense	14	0.0	6.8
Health	15	0.2	2.4
Education, training, employment, and social services	16	0.6	1.9
Net interest	17	0.5	1.8
International affairs	18	0.0	1.2
Medicare	19	0.0	1.0
Administration of justice.....	20	0.0	0.4
General science, space, and technology	21	0.0	-0.3
Community and regional development	22	0.0	-0.4
Energy	23	0.0	-0.4
Veterans benefits and services.....	24	0.0	-0.6
Agriculture.....	25	0.0	-0.8
Income security.....	26	0.0	-1.0
Commerce and housing credit	27	0.0	-1.4
Transportation.....	28	-0.2	-1.6
Natural resources and environment.....	29	0.0	-1.6
Undistributed offsetting receipts ⁴	30	0.0	-3.0
Other.....	31	0.0	-0.1
Equals: The budget.....	32	2,479.4	2,567.6
Current-services surplus or deficit (-).....	33	-390.4	-361.2
Proposed changes, receipts less outlays.....	34	-36.2	-28.8
Administration budget surplus or deficit (-).....	35	-426.6	-390.0
Addenda:			
Net effect of budget reform proposals assumed in the baseline on current-services deficit	36	0.3	7.6
Effect on receipts of budget reform proposals assumed in the baseline ⁵	37	0.3	0.0
Make permanent certain provisions of the tax cuts enacted in 2001 and 2003:			
Dividends tax rate structure	38	0.3	0.5
Repeal of estate and generation-skipping transfer taxes	39	0.0	-0.6
Adjustments to the baseline for outlays, budget reform proposal ⁵	40	0.0	-7.6
Adjustment for redefinition of emergencies.....	41		-5.3
Adjustment for cost of pay raises	42		-2.0
Other adjustments	43		-0.3

1. These current-services estimates are from the budget and include certain adjustments to reflect budget reform proposals by the administration. For information on the budget reform proposals, see the *Analytical Perspectives* and table S-13 in the main budget document.

2. Consistent with the budget, the proposed legislation excludes budget reform proposals that are included in the baseline.

3. Allowances are included in budget totals to cover certain budgetary transactions that are expected to increase or decrease outlays, receipts, or budget authority but that are not reflected in the program details. Allowances include funding for emergencies, such as natural disasters, and for additional defense and nondefense costs.

4. Undistributed offsetting receipts are collections that are governmental in nature and that are not credited to expenditure accounts. They fall in two categories: Receipts from performing business-like activities, such as proceeds from selling Federal assets or leases, and shifts from one account to another, such as agency payments to retirement funds.

5. Only budget reform proposals that are assumed in the baseline and that affect receipts and outlays are shown.

Source: Budget of the United States Government, Fiscal Year 2006.

Receipts. If proposed legislation is enacted, receipts would decrease \$0.1 billion in fiscal year 2005 and \$0.3 billion in fiscal year 2006. Proposals that are *not in the baseline* to extend certain expiring tax provisions would increase receipts in 2005 and would decrease receipts in 2006.⁶

- A proposal to extend the 20-percent tax credit for qualified research and experimentation expenses that are above specified amounts and that are incurred before January 1, 2006, would reduce receipts \$2.1 billion in 2006.
- A proposal to provide tax incentives for businesses and residents in economically distressed areas that are designated as "Opportunity Zones" would reduce receipts \$0.4 billion in 2006.
- A proposal to permit tax-free withdrawals from Individual Retirement Accounts (IRAs) for charitable contributions would reduce receipts \$0.1 billion in 2005 and \$0.3 billion in 2006. This proposal would allow persons 65 and older to exclude any IRA distributions to charitable organizations from their gross income.
- A proposal to provide a tax credit of \$4,000 to \$8,000 for the purchase of selected hybrid and fuel cell vehicles would reduce receipts \$0.3 billion in 2006.
- A proposal to expand tax-free savings would replace IRAs with Lifetime Savings Accounts (LSAs) and Retirement Savings Accounts (RSAs) and would increase receipts \$3.7 billion in 2006.⁷
- A proposal to extend a provision for reclamation fees for abandoned mines that is scheduled to expire on June 30, 2005, would increase receipts \$0.3 billion in 2006.

The budget reform tax proposals *included in the baseline* for receipts would increase receipts \$0.3 billion in fiscal year 2005 and would have little net effect on receipts in fiscal year 2006.

- A proposal to permanently extend the reduced tax rate on dividends would increase receipts in both fiscal years.⁸
- A proposal to permanently extend the repeal of estate taxes and generation-skipping transfer taxes

would minimally affect receipts in 2005 and would reduce receipts \$0.6 billion in 2006.

Outlays. The budget for fiscal year 2006 includes proposed program changes that are *not included in the baseline* and that would increase total outlays \$36.0 billion in fiscal year 2005 and \$28.5 billion in fiscal year 2006.⁹ Outlays for allowances to cover certain budgetary transactions (primarily costs for Iraq and Afghanistan) are expected to increase outlays \$34.9 billion in 2005 and \$24.2 billion in 2006. Excluding these outlays, proposed program changes would increase outlays \$1.1 billion in 2005 and \$4.3 billion in 2006. The increase in 2006 is more than accounted for by the following items:

- Outlays for national defense would increase \$6.8 billion, reflecting proposed increases in discretionary spending on military operations and maintenance and on military personnel, including a 3.1-percent pay raise.
- Outlays for health programs would increase \$2.4 billion, reflecting the net effects of proposals for increases and decreases in Medicaid and in other mandatory and discretionary health programs.
- Outlays for education, training, employment, and social services would increase \$1.9 billion, reflecting increases in spending for social services that are partly offset by decreases in spending for higher education programs.

The increases in these outlays would be partly offset by decreases in undistributed offsetting receipts, in natural resources and environment, in transportation, in commerce and housing credit, and in several other functions.

The budget reform proposals *included in the baseline* would decrease outlays \$7.6 billion in fiscal year 2006.

- Outlays for national defense, for international aid, and for disaster assistance would decrease \$5.3 billion in order to exclude emergency funding from the baseline for years after the year of enactment.
- Outlays would decrease \$2.0 billion in order to correct the overstatement of the cost related to Federal pay raises in the baseline.

Comparison of the Budget and NIPA Estimates

The Bureau of Economic Analysis adjusts the Federal budget estimates of receipts and outlays in order to prepare estimates of Federal Government current

6. The current-services baseline serves as a "policy neutral" benchmark against which the Federal budget can be compared in order to gauge the impact of proposed changes.

7. Under this proposal, individuals, regardless of age or income, could make annual nondeductible contributions to either of these accounts. The LSA distributions would be excluded from income, and the RSA distributions by persons 58 and older and disabled persons would be excluded.

8. The rate would be 15 percent for taxpayers in individual tax brackets that are above 15 percent and 5 percent for lower income taxpayers, which would fall to zero in 2008.

9. Outlays for homeland security are spread throughout certain budget functions, including national defense, health, transportation, and the administration of justice.

receipts and current expenditures that are consistent with NIPA concepts and methodologies.

Receipts

For fiscal year 2006, NIPA current receipts would exceed budget receipts by \$79.4 billion as a result of netting and grossing, coverage, and timing adjustments (table 4).¹⁰ Netting and grossing adjustments would add \$118.7 billion to the budget estimates; coverage adjustments would subtract \$42.7 billion; and timing adjustments would add \$3.5 billion. "Other" netting and grossing adjustments—which include adjustments for Federal Government payments to the Old-Age, Survivors, and Disability Trust Funds—would add \$64.0 billion, and adjustments for payments for supplementary medical insurance premiums would add \$48.7 billion. Coverage adjustments for capital transfers received, which consists of estate and gift taxes, would subtract \$25.9 billion.

10. Netting and grossing adjustments arise because certain transactions are recorded as offsets to outlays in the budget, but they are recorded as receipts in the NIPAs (and vice versa).

Table 4. Relation of Federal Government Current Receipts in the NIPAs to the Budget
[Billions of dollars]

	Line	Fiscal year		
		2004	2005	2006
Budget receipts	1	1,880.1	2,052.8	2,177.6
Less: Coverage differences	2	39.7	39.5	42.7
Geographic ¹	3	3.9	4.1	4.3
Contributions received by Federal employee retirement plans ²	4	4.6	4.6	4.6
Capital transfers received ³	5	24.6	23.5	25.9
Financial transactions	6	0.0	0.0	0.0
Other ⁴	7	6.7	7.3	7.9
Netting and grossing differences	8	-97.4	-106.4	-118.7
Supplementary medical insurance premiums	9	-32.1	-38.0	-48.7
Income receipts on assets	10	-8.5	-9.7	-9.9
Current surplus of government enterprises	11	-5.3	-0.1	3.9
Other ⁵	12	-51.5	-58.6	-64.0
Plus: Timing differences	13	21.5	1.2	3.5
Taxes on corporate income	14	20.2	4.3	1.1
Federal and state unemployment insurance taxes	15	0.7	0.8	-0.2
Withheld personal current taxes and social security contributions	16	-0.1	-3.8	3.2
Excise taxes	17	0.8	-0.2	-0.6
Other	18	0.0	0.0	0.0
Equals: Federal Government current receipts, NIPAs	19	1,959.3	2,120.9	2,257.0

1. Consists largely of contributions for social insurance by residents of U.S. territories and Puerto Rico.

2. These transactions are included in the NIPA personal sector.

3. Consists of estate and gift taxes.

4. Consists largely of Treasury receipts from sales of foreign currencies to Government agencies.

5. Includes proprietary receipts that are netted against outlays in the budget and that are classified as receipts in the NIPAs and some transactions that are not reflected in the budget but that are added to both receipts and expenditures in the NIPAs.

NOTE: Estimates for fiscal years 2004–2006 differ from the fiscal year estimates in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006* because of additional data received after the budget was released.

Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

Expenditures and outlays

For fiscal year 2006, the NIPA estimate of Federal Government current expenditures would exceed the Federal budget estimate of outlays by \$81.9 billion (table 5). Netting and grossing adjustments would add \$118.7 billion to the budget estimates; coverage adjustments would subtract \$43.2 billion; and timing

adjustments would add \$6.4 billion. Coverage adjustments for capital transfers paid, which includes capital grants to state and local governments and to businesses, would subtract \$50.3 billion, and adjustments for Federal employee retirement plan transactions would add \$47.0 billion.

For fiscal year 2006, the NIPA estimate of national defense consumption expenditures and gross investment would exceed the budget estimate of national defense outlays by \$40.3 billion (table 6). The estimates differ mainly because of the NIPA treatment of retirement funds for military and civilian employees and because of the addition of allowances.

Net saving and the budget deficit

For fiscal year 2006, NIPA net Federal Government saving would exceed the Federal budget deficit by \$2.4

Table 5. Relation of Federal Government Current Expenditures in the NIPAs to the Budget
[Billions of dollars]

	Line	Fiscal year		
		2004	2005	2006
Budget outlays	1	2,292.2	2,479.4	2,567.6
Less: Coverage differences	2	44.7	59.9	43.2
Geographic ¹	3	13.7	14.2	14.7
Federal employee retirement plan transactions ²	4	-34.0	-42.4	-47.0
Interest received	5	-47.4	-52.3	-54.6
Contributions received (employer)	6	-83.0	-92.6	-99.9
Benefits paid	7	96.3	102.4	107.3
Administrative expenses	8	0.1	0.1	0.1
Financing disbursements from credit programs ³	9	2.9	-1.2	-9.0
Other differences in funds covered ⁴	10	3.2	6.8	7.4
Net investment ⁵	11	7.5	13.6	12.7
Capital transfers paid ⁶	12	45.7	47.3	50.3
Financial transactions	13	5.6	21.7	14.2
Loan disbursements less loan repayments and sales	14	13.4	25.1	20.7
Deposit insurance	15	0.2	2.9	2.6
Net purchases of foreign currency	16	0.0	0.0	0.0
Other	17	-8.0	-6.3	-9.1
Net purchases of nonproduced assets	18	0.1	-0.1	-0.1
Outer Continental Shelf	19	0.0	0.0	0.0
Land and other ⁷	20	0.1	-0.1	-0.1
Other ⁸	21	0.0	0.0	0.0
Netting and grossing differences	22	-97.4	-106.4	-118.7
Supplementary medical insurance premiums	23	-32.1	-38.0	-48.7
Interest receipts	24	-8.5	-9.7	-9.9
Current surplus of government enterprises	25	-5.3	-0.1	3.9
Other ⁹	26	-51.5	-58.6	-64.0
Plus: Timing differences	27	2.2	-2.6	6.4
Purchases (increase in payables net of advances)	28	-1.3	-1.2	1.7
Interest	29	1.2	1.4	1.4
Current transfer payments	30	1.8	-2.9	3.2
Subsidies	31	0.5	0.2	0.1
Equals: Federal Government current expenditures, NIPAs	32	2,347.1	2,523.3	2,649.5

1. Consists largely of government social benefits, subsidies, and grants-in-aid to residents of U.S. territories and Puerto Rico.

2. These transactions are included in the NIPA personal sector.

3. Consists of transactions not included in the budget totals that record all cash flows from post-1991 direct loan obligations and loan guarantee commitments. Many of these flows are for new loans or loan repayments; consequently related entries are included in "Loan disbursements less loan repayments and sales."

4. Consists largely of agencies or accounts, such as the Postal Service and the Federal Financing Bank, that were not included in the budget in some periods.

5. Net investment is gross investment less consumption of fixed capital for general government and government enterprises.

6. Consists of investment grants to state and local governments and maritime construction subsidies, and payments to the Uniformed Services Retiree Health Care Fund to amortize the unfunded liability. Excludes the forgiveness of debts owed by foreign governments to the U.S. Government; this forgiveness is classified as a capital transfer paid by the United States and is excluded from both budget outlays and NIPA current expenditures.

7. Consists of net sales of land other than the Outer Continental Shelf and, beginning in 1995, the auction of the radio spectrum.

8. Consists largely of net expenditures of foreign currencies.

9. Includes proprietary receipts that are netted against outlays in the budget and that are classified as receipts in the NIPAs and some transactions that are not reflected in the budget data but that are added to both receipts and expenditures in the NIPAs.

NOTE: Estimates for fiscal years 2005 and 2006 differ from the fiscal year estimates in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006* because of additional data received after the budget was released.

Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

Table 6. Relation of National Defense Consumption Expenditures and Gross Investment in the NIPAs to National Defense Outlays in the Budget
[Billions of dollars]

	Line	Fiscal year		
		2004	2005	2006
National defense outlays in the budget	1	455.9	465.9	447.4
Department of Defense, military	2	436.5	443.9	426.3
Military personnel	3	113.6	110.0	108.9
Operation and maintenance	4	174.0	174.5	154.2
Procurement	5	76.2	80.2	80.8
Aircraft	6	22.9	24.1	24.5
Missiles	7	5.3	5.4	6.2
Ships	8	10.0	10.3	9.9
Weapons	9	3.8	4.2	4.6
Ammunition	10	1.4	1.7	1.7
Other	11	32.7	34.6	34.0
Research, development, test, and evaluation	12	60.8	65.6	68.1
Other	13	11.9	13.7	14.2
Atomic energy and other defense-related activities	14	19.4	22.0	21.1
Plus: Consumption of general government fixed capital	15	62.9	64.4	65.2
Additional payments to military and civilian retirement funds	16	25.6	28.7	30.5
Timing difference	17	-1.3	-1.2	1.7
Allowance for anticipated supplemental	18	0.0	33.3	22.6
Less: Grants-in-aid to state and local governments and net interest paid	19	3.6	3.9	3.8
Other differences	20	2.9	4.2	4.0
Equals: National defense consumption expenditures and gross investment, NIPAs	21	536.7	582.9	559.6
Less: National defense gross investment ¹	22	67.4	72.7	71.9
Equals: National defense consumption expenditures, NIPAs	23	469.3	510.3	487.7

1. Gross investment consists of general government expenditures for fixed assets; inventory investment is included in Federal Government consumption expenditures.
Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

billion in absolute value (table 7). The difference reflects coverage and timing adjustments. The coverage adjustments reduce both NIPA current receipts and NIPA current expenditures; the timing adjustments raise both NIPA current receipts and NIPA current expenditures. Netting and grossing adjustments affect NIPA current receipts and NIPA current expenditures equally, so these adjustments do not affect net Federal Government saving.

Table 7. Budget Receipts and Outlays and NIPA Federal Government Current Receipts and Expenditures
[Billions of dollars]

	Line	Level for fiscal year			Change from preceding fiscal year	
		Actual		Estimates		
		2004	2005	2006	2005	2006
Budget:						
Receipts	1	1,880.1	2,052.8	2,177.6	172.8	124.7
Outlays	2	2,292.2	2,479.4	2,567.6	187.2	88.2
Surplus or deficit (-)	3	-412.1	-426.6	-390.1	-14.4	36.5
NIPAs:						
Current receipts	4	1,959.3	2,120.9	2,257.0	161.6	136.2
Current expenditures	5	2,347.1	2,523.3	2,649.5	176.2	126.1
Net Federal Government saving	6	-387.9	-402.5	-392.5	-14.6	10.0
Differences						
Budget less NIPAs:						
Receipts / Current receipts	7	-79.2	-68.1	-79.4	11.1	-11.3
Outlays / Current expenditures	8	-54.9	-43.9	-81.9	11.0	-38.0
Deficit / Net Federal Government saving	9	-24.2	-24.1	2.4	0.1	26.5

NOTE: Estimates for NIPA receipts for fiscal years 2004–2006 and NIPA expenditures for 2005 and 2006 differ from the fiscal year estimates in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006* because of additional data received after the budget was released.

Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

Annual and Quarterly NIPA Estimates

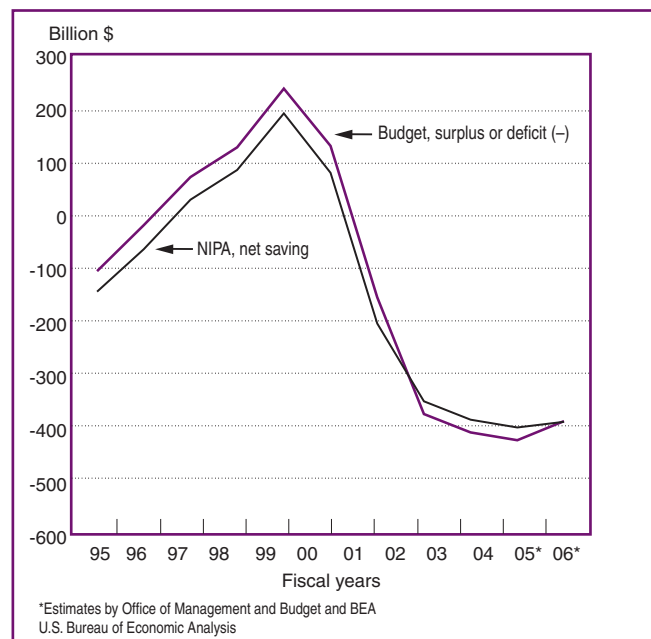
Fiscal year 2006 NIPA estimates

On a NIPA basis, net Federal Government saving would increase \$10.0 billion in fiscal year 2006 after decreasing \$14.6 billion in fiscal year 2005 (table 7 and chart 1). The upturn results from a larger deceleration in Federal Government current expenditures than in Federal Government current receipts.

On a NIPA basis, total Federal Government current receipts would increase \$136.2 billion after increasing \$161.6 billion (table 8 and chart 2). The deceleration results from a deceleration in the tax base that would increase receipts \$137.0 billion. (The estimates of the tax base are based on the administration's economic assumptions and do not include the effects of proposed legislation.) In current tax receipts, personal current taxes would decelerate, increasing \$79.9 billion after increasing \$85.8 billion; the deceleration is accounted for by a deceleration in the tax base. Taxes on corporate income would turn down, decreasing \$3.3 billion after increasing \$26.5 billion; the decrease reflects a downturn in the tax base. Contributions for government social insurance would increase \$54.4 billion after increasing \$42.3 billion, reflecting an acceleration in the tax base. The current surplus of government enterprises would decrease \$3.9 billion after decreasing \$5.3 billion.

On a NIPA basis, total Federal Government current expenditures would increase \$126.1 billion in fiscal year 2006 after increasing \$176.2 billion in fiscal year

Chart 1. Federal Fiscal Position



2005 (table 9 and chart 3). Consumption expenditures would decrease \$14.7 billion after increasing \$60.9 billion; the downturn is mostly accounted for by a downturn in national defense consumption expenditures. Current transfer payments would accelerate, increasing \$103.8 billion after increasing \$81.8 billion. Government social benefits to persons would increase

**Table 8. Sources of Change in
Federal Government Current Receipts**
[Billions of dollars]

	Line	Change from preceding fiscal year		
		2004	2005	2006
Total receipts	1	97.7	161.6	136.2
Due to tax bases.....	2	94.3	159.3	137.0
Due to proposed legislation.....	3	0.0	1.8	-0.1
Current tax receipts.....	4	61.4	119.5	82.0
Personal current taxes.....	5	7.3	85.8	79.9
Due to tax bases.....	6	7.3	85.8	77.3
Due to proposed legislation.....	7	0.0	0.0	2.6
Taxes on production and imports.....	8	5.8	6.5	5.9
Due to tax bases.....	9	5.8	4.8	6.0
Due to proposed legislation.....	10	0.0	1.7	-0.1
Taxes on corporate income.....	11	47.9	26.5	-3.3
Due to tax bases.....	12	47.9	26.4	-0.7
Due to proposed legislation.....	13	0.0	0.1	-2.6
Taxes from the rest of the world.....	14	0.4	0.7	-0.5
Contributions for government social insurance.....	15	33.3	42.3	54.4
Due to tax bases.....	16	33.3	42.3	54.4
Due to proposed legislation.....	17	0.0	0.0	0.0
Income receipts on assets.....	18	-1.4	1.7	1.4
Current transfer receipts.....	19	6.8	3.4	2.3
Current surplus of government enterprises.....	20	-2.4	-5.3	-3.9

Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

**Table 9. Sources of Change in
Federal Government Current Expenditures**
[Billions of dollars]

	Line	Change from preceding fiscal year		
		2004	2005	2006
Total current expenditures	1	132.0	176.2	126.1
Consumption expenditures.....	2	63.1	60.9	-14.7
National defense.....	3	45.2	41.0	-22.6
Pay raise and locality pay ¹	4	0.0	5.4	5.9
Other.....	5	45.2	35.6	-28.5
Nondefense.....	6	17.9	19.9	7.9
Pay raise and locality pay ¹	7	0.0	4.1	5.3
Other.....	8	17.9	15.8	2.7
Current transfer payments.....	9	69.0	81.8	103.8
Government social benefits to persons.....	10	50.5	60.0	97.8
Social security.....	11	20.5	22.8	24.5
Medicare.....	12	26.1	30.9	63.4
Supplemental security income.....	13	1.8	3.3	2.6
Earned income and other tax credits.....	14	5.0	5.3	0.0
Veterans benefits.....	15	-1.3	3.1	1.5
Unemployment benefits.....	16	-10.0	-7.1	1.5
Food stamps.....	17	3.6	5.1	3.4
Other.....	18	4.7	-3.4	0.9
Government social benefits to the rest of the world.....	19	0.1	0.1	0.1
Grants-in-aid to state and local governments.....	20	19.2	17.8	0.4
Health.....	21	17.1	13.8	-0.3
Medicaid.....	22	15.5	12.3	-2.6
Other health.....	23	1.6	1.5	2.2
Education.....	24	3.4	3.9	0.3
Welfare and social services.....	25	-1.3	2.5	0.5
Housing and community services.....	26	-0.2	-0.2	1.2
Central executive, legislative, and judicial activities.....	27	0.7	-5.2	0.3
Labor training and services.....	28	-2.1	-0.6	0.1
Other.....	29	1.6	3.6	-1.7
Other current transfer payments to the rest of the world.....	30	-0.7	4.0	5.5
Federal interest paid.....	31	4.5	21.7	35.5
Subsidies.....	32	-4.5	11.8	1.6
Agricultural subsidies.....	33	-4.2	11.5	-2.1
Housing subsidies.....	34	1.8	0.5	1.1
Other subsidies.....	35	-2.1	-0.3	2.6

1. Consists of pay raises and locality pay, beginning in January 2005.
Source: Bureau of Economic Analysis.

Chart 2. Federal Government Current Receipts

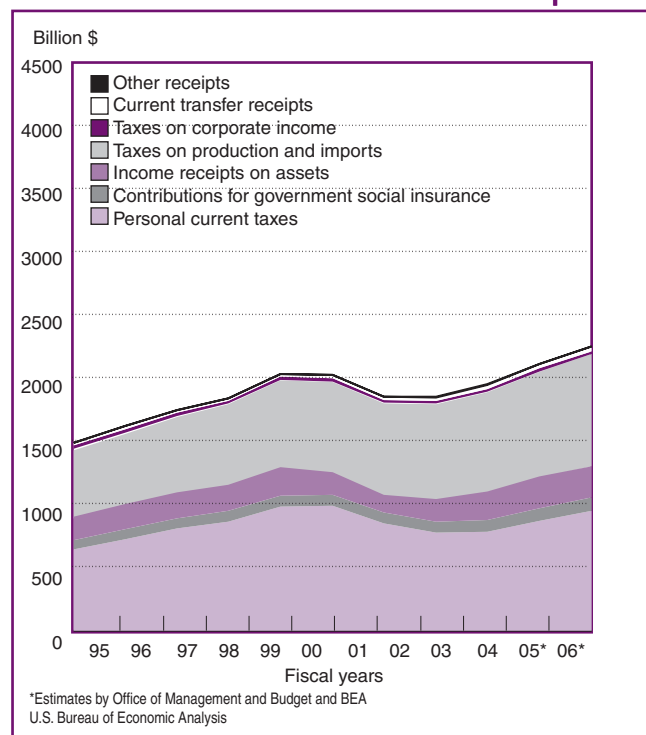
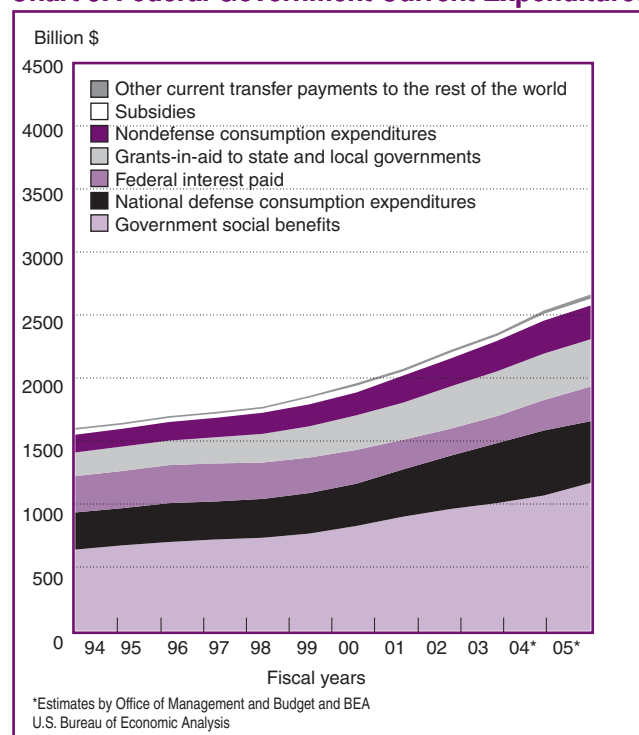


Chart 3. Federal Government Current Expenditures



\$97.8 billion after increasing \$60.0 billion; the acceleration is mainly attributable to an acceleration in Medicare as a result of the start of the prescription drug benefit program. Grants-in-aid to state and local governments would increase \$0.4 billion after increasing \$17.8 billion; the deceleration is mostly attributable to downturns in health grants and "other" grants. "Other current transfer payments to the rest of the world" would accelerate, increasing \$5.5 billion after increasing \$4.0 billion. Federal interest payments would accelerate, increasing \$35.5 billion after increasing \$21.7 billion. Subsidies would decelerate, increasing \$1.6 billion after increasing \$11.8 billion; the deceleration is attributed to a downturn in agricultural subsidies.

On a NIPA basis, total Federal gross investment would decelerate, increasing \$0.6 billion after increasing \$8.5 billion. This deceleration is more than accounted for by a deceleration in gross investment for national defense. Capital transfer receipts would turn up, and capital transfer payments would accelerate. Net borrowing would turn up, increasing \$9.7 billion after decreasing \$22.7 billion.¹¹

Quarterly pattern

BEA prepares accounts showing seasonally adjusted quarterly NIPA estimates of Federal Government current receipts, current expenditures, net saving, gross investment, capital transfer receipts, capital transfer payments, and net borrowing that are consistent with the Federal budget (table 10).

Quarterly estimates do not equal the fiscal year estimates; the quarterly estimates reflect estimated changes from the preliminary estimates for the fourth quarter of 2004, which were released on February 25, 2005. Because of the limited information available to estimate quarterly patterns, the estimates should be viewed as approximations that will be superseded by BEA's more reliable quarterly estimates that are prepared and published in NIPA table 3.2.

Current receipts. The NIPA estimates of current receipts reflect the quarterly pattern of estimates that would result from enacted and proposed legislation, based on the administration's projected pattern of wages. The NIPA estimates also reflect BEA's methodology for deriving quarterly estimates of income tax payments and of "final settlements less refunds."¹²

Current expenditures. The NIPA estimates of current expenditures reflect the quarterly pattern that would result from enacted and proposed legislation that would adjust pay for Federal Government employees and that would provide cost-of-living increases in Social Security and other programs.

Net saving. Net Federal Government saving increased from -\$391.0 billion in the first quarter of 2004 to -\$371.2 billion in the fourth quarter.

In the first quarter of 2005, net saving is projected to decrease, reflecting a projected increase in current expenditures that would exceed the increase in current receipts. The increase in current expenditures stems from projected increases in defense consumption expenditures and in government social benefits. In the second, third, and fourth quarters of 2005, net saving is projected to increase because increases in current receipts are expected to more than offset increases in current expenditures. In the second quarter, national defense consumption expenditures are projected to decelerate, and in the third and fourth quarters, they are projected to decline.

In the first quarter of 2006, net Federal Government saving is projected to decrease as a result of an increase in current expenditures that more than offsets an increase in current receipts. The projected increase in current expenditures results from a substantial increase in Medicare due to the prescription drug benefit program that begins in January 2006. The increase in current receipts is attributable to increases in personal current tax receipts and in contributions for government social insurance. In the second and third quarters of 2006, net saving is projected to increase. The second-quarter increase is accounted for by an increase in current receipts and by a decrease in current expenditures; the decrease in current expenditures reflects decreases in national defense consumption expenditures and Medicare. The third-quarter increase reflects an increase in current receipts that more than offsets an increase in current expenditures. The increase in current receipts is accounted for by increases in personal current taxes and contributions for government social insurance.

Gross investment. The quarterly pattern of Federal Government gross investment primarily reflects the pattern of national defense gross investment. Gross investment increased from \$102.2 billion in the first quarter of 2004 to \$111.4 billion in the fourth quarter. Gross investment is projected to decrease in the first and second quarters of 2005 and to increase in the third and fourth quarters. In 2006, gross investment is projected to decrease in the first and third quarters and to increase in the second quarter.

11. "Net lending or net borrowing (-)", the financing requirement of the government sector, is an alternative measure of the government fiscal position and is derived as net government saving plus the consumption of fixed capital and "capital transfers received (net)" less gross investment and net purchases of nonproduced assets.

12. For details about the methodology, see Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," *SURVEY OF CURRENT BUSINESS* 78 (August 1998): 29-31.

Capital transfer receipts. Capital transfer receipts decreased from \$24.2 billion in the first quarter of 2004 to \$22.0 billion in the fourth quarter. In the first quarter of 2005, capital transfer receipts are projected to decrease and then to increase.

Capital transfer payments. Capital transfer payments decreased from \$60.0 billion in the first quarter of 2004 to \$59.9 billion in the fourth quarter. In 2005, capital transfer payments are projected to increase in all but the third quarter. Capital transfer payments

Table 10. Federal Government Current Receipts

[Billions of dollars; calendar year and

	Line	Fiscal year estimates ¹				Calendar year		Quarter									
						Published ²		Published ²				Estimated					
								2004				2005				2006	
		2004	2005	2006	2004	2005	I	II	III	IV	I	II	III	IV	I	II	III
Current receipts	1	1,959.3	2,120.9	2,257.0	1,962.2	2,119.5	1,915.3	1,949.1	1,965.8	2,018.5	2,066.3	2,105.1	2,139.4	2,167.2	2,210.3	2,239.3	2,270.9
Current tax receipts	2	1,117.6	1,237.1	1,319.1	1,104.6	1,209.9	1,073.9	1,098.5	1,101.9	1,144.1	1,173.6	1,201.5	1,224.3	1,240.3	1,255.4	1,274.0	1,293.5
Personal current taxes	3	788.1	873.9	953.8	790.9	866.1	768.3	781.5	799.6	814.3	833.3	855.9	877.3	898.0	915.0	931.8	947.7
Withheld income taxes	4	741.5	820.4	890.5	742.3	816.0	720.9	733.9	750.7	763.7	784.8	806.2	826.6	846.4	856.0	872.1	887.1
Declarations and final settlements less refunds	5	46.6	53.5	63.3	48.6	50.1	47.4	47.6	48.9	50.6	48.6	49.7	50.7	51.6	59.0	59.7	60.6
Proposed legislation	6	.....	0.0	2.6	.....	-0.2	.....	.....	.....	.....	-0.2	-0.2	-0.2	-0.2	3.3	3.3	3.3
Other	7	46.6	53.5	60.7	48.6	50.3	47.4	47.6	48.9	50.6	48.8	49.9	50.9	51.8	55.6	56.4	57.3
Taxes on production and imports	8	94.8	101.3	107.2	90.0	96.9	89.0	89.3	89.2	92.3	93.9	97.2	98.0	98.7	100.7	102.1	103.3
Proposed legislation	9	.....	1.7	1.6	0.0	2.1	0.0	0.0	0.0	0.0	0.0	3.4	3.4	1.6	1.6	1.6	1.6
Other	10	94.8	99.6	105.6	90.0	94.8	89.0	89.3	89.2	92.3	93.9	93.7	94.6	97.1	99.1	100.5	101.7
Taxes on corporate income	11	226.4	252.9	249.6	214.8	238.4	207.9	219.5	204.9	227.0	237.9	240.0	240.6	235.2	231.3	231.7	234.1
Federal Reserve banks	12	19.7	24.1	28.5	21.8	26.9	20.9	20.8	21.8	23.7	25.0	26.3	27.6	28.5	29.6	30.6	31.5
Proposed legislation	13	.....	0.0	0.0	.....	0.0	.....	.....	.....	.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	14	19.7	24.1	28.5	21.8	26.9	20.9	20.8	21.8	23.7	25.0	26.3	27.6	28.5	29.6	30.6	31.5
Other corporate profit tax accruals	15	206.7	228.8	221.1	193.1	211.6	187.0	198.7	183.1	203.3	212.9	213.7	213.0	206.7	201.7	201.1	202.5
Proposed legislation	16	.....	0.1	-2.6	.....	-0.5	.....	.....	.....	.....	0.1	0.1	0.1	-2.6	-2.6	-2.6	-2.6
Other	17	206.7	228.7	223.7	193.1	212.1	187.0	198.7	183.1	203.3	212.8	213.6	212.9	209.2	204.2	203.7	205.1
Taxes from the rest of the world	18	8.2	8.9	8.4	8.9	8.4	8.6	8.3	8.2	10.5	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Contributions for social insurance	19	784.2	826.5	880.9	803.7	856.5	787.9	797.6	810.1	819.0	839.3	850.4	862.2	874.2	901.0	911.9	922.4
Old age, survivors, disability, and hospital insurance	20	703.4	736.2	778.5	721.9	761.7	706.8	716.1	728.0	736.6	746.7	756.2	766.5	777.4	791.8	802.5	812.8
Tax on wages and salaries (FICA, gross)	21	663.2	694.2	733.8	680.1	718.4	666.1	674.7	685.9	693.8	704.3	713.3	722.8	733.1	746.9	756.9	766.5
Proposed legislation	22	.....	0.0	0.0	.....	0.0	.....	.....	.....	.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Base increases	23	.....	0.5	2.9	.....	2.1	.....	.....	.....	.....	2.1	2.1	2.1	2.1	5.3	5.3	5.3
January 2005	24	.....	0.5	2.1	.....	2.1	.....	.....	.....	.....	2.1	2.1	2.1	2.1	2.1	2.1	2.1
January 2006	25	.....	.....	0.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.2	3.2	3.2
Other	26	663.2	693.7	730.9	680.1	716.3	666.1	674.7	685.9	693.8	702.3	711.3	720.8	731.1	741.7	751.7	761.3
FICA Refunds	27	-1.0	-2.2	-1.9	-1.6	-2.8	-1.6	-1.6	-1.6	-1.6	-2.8	-2.8	-2.8	-2.8	-2.9	-2.9	-2.9
Voluntary hospital insurance	28	1.8	2.2	2.4	1.7	2.1	1.7	1.7	1.7	1.7	1.9	2.1	2.2	2.2	2.2	2.2	2.2
Tax on self-employment earnings (SECA)	29	39.5	41.9	44.3	41.6	43.9	40.6	41.3	42.0	42.7	43.1	43.5	44.2	44.8	45.6	46.3	47.0
Base increases	30	0.0	0.1	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.4	0.4	0.4
Other	31	39.4	41.8	43.9	41.6	43.7	40.6	41.3	42.0	42.6	43.0	43.3	44.0	44.6	45.2	45.9	46.6
Supplementary medical insurance	32	30.2	35.6	46.1	31.1	37.0	30.8	31.0	31.2	31.3	37.0	37.0	37.0	37.0	48.5	49.0	49.5
Unemployment insurance	33	40.6	43.7	45.1	40.8	47.0	40.7	40.7	40.9	41.0	45.2	46.4	47.6	48.7	49.5	49.2	48.9
Other	34	10.0	11.0	11.2	9.9	10.9	9.6	9.8	10.0	10.1	10.5	10.9	11.2	11.2	11.2	11.2	11.2
Income receipts on assets	35	20.1	21.7	23.2	23.0	25.3	22.9	22.2	22.9	23.8	24.6	25.4	25.6	25.6	26.0	26.6	27.1
Interest receipts	36	13.3	14.5	14.7	16.4	17.8	16.0	15.8	16.6	17.3	17.6	17.9	18.0	17.7	17.8	17.9	18.1
Rents and royalties	37	6.8	7.2	8.5	6.6	7.5	6.9	6.5	6.3	6.6	7.0	7.5	7.6	7.9	8.2	8.6	8.9
Current transfer receipts	38	32.1	35.5	37.8	26.8	29.7	26.1	26.2	26.6	28.4	28.9	29.4	30.0	30.3	31.1	31.8	32.6
From business	39	16.6	19.2	20.3	15.4	17.7	14.7	14.8	15.1	16.8	17.3	17.7	18.0	17.9	18.3	18.6	19.0
From persons	40	15.5	16.2	17.5	11.5	11.9	11.3	11.4	11.5	11.6	11.6	11.7	12.0	12.4	12.8	13.2	13.6
Current surplus of government enterprises	41	5.3	0.1	-3.9	4.1	-1.9	4.6	4.5	4.3	3.1	0.0	-1.6	-2.7	-3.2	-3.2	-5.0	-4.7
Postal Service	42	-3.0	-6.1	-10.3	-2.3	-6.9	-1.8	-2.0	-2.3	-3.2	-5.5	-6.7	-7.5	-8.0	-8.3	-10.2	-9.9
Federal Housing Administration	43	2.8	2.6	2.7	3.3	3.4	3.0	3.3	3.6	3.6	3.4	3.4	3.4	3.4	3.5	3.5	3.4
Tennessee Valley Authority	44	6.1	5.8	5.7	5.5	5.3	5.6	5.5	5.5	5.5	5.4	5.3	5.2	5.2	5.3	5.3	5.3
Other	45	-0.4	-2.2	-2.1	-2.4	-3.7	-2.2	-2.3	-2.4	-2.7	-3.3	-3.6	-3.8	-3.9	-3.6	-3.6	-3.5
Current expenditures	46	2,347.1	2,523.3	2,649.5	2,341.5	2,511.7	2,306.3	2,329.1	2,340.8	2,389.7	2,469.4	2,507.6	2,532.1	2,537.7	2,638.3	2,626.1	2,631.8
Consumption expenditures	47	709.0	769.9	755.2	704.6	753.5	691.1	700.3	713.0	714.2	741.4	762.2	762.5	747.8	744.5	729.6	717.6
National defense	48	469.3	510.3	487.7	477.6	511.8	465.2	473.6	487.1	484.4	505.9	521.1	517.8	502.7	496.0	484.0	474.0
Pay raises and locality pay	49	.....	5.4	11.4	.....	7.4	.....	.....	.....	.....	5.9	7.9	7.9	7.9	12.5	12.5	12.5
January 2005	50	.....	5.4	7.9	.....	7.4	.....	.....	.....	.....	5.9	7.9	7.9	7.9	7.9	7.9	7.9
January 2006	51	.....	.....	3.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	4.6	4.6	4.6
Other	52	469.3	504.9	476.3	477.6	504.4	465.2	473.6	487.1	484.4	500.0	513.2	509.9	494.8	483.5	471.5	461.5
Nondefense	53	239.7	259.6	267.5	227.0	241.6	225.9	226.6	225.9	229.8	235.5	241.1	244.8	245.2	248.5	245.6	243.6
Pay raises and locality pay	54	.....	4.1	9.3	.....	5.5	.....	.....	.....	.....	5.0	5.6	5.6	5.6	9.2	11.2	11.2
January 2005	55	.....	4.1	5.6	.....	5.5	.....	.....	.....	.....	5.0	5.6	5.6	5.6	5.6	5.6	5.6
January 2006	56	.....	.....	3.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.6	5.6	5.6
Other	57	239.7	255.5	258.2	227.0	236.2	225.9	226.6	225.9	229.8	230.5	235.5	239.2	239.6	239.3	234.4	232.4
Current transfer payments	59	1,377.3	1,459.1	1,562.9	1,378.1	1,466.0	1,365.9	1,367.9	1,368.8	1,409.8	1,451.4	1,457.7	1,471.0	1,484.1	1,576.6	1,572.6	1,583.6
Government social benefits	60	1,005.8	1,065.9	1,163.9	1,001.4	1,067.1	986.2	993.0	1,004.3	1,022.3	1,052.2	1,062.1	1,071.8	1,082.1	1,170.9	1,174.8	1,178.8
To persons	61	1,002.9	1,062.9	1,160.7	998.5	1,064.0	983.3	990.1	1,001.3	1,019.2	1,049.3	1,059.1	1,068.7	1,079.0	1,167.8	1,171.6	1,175.8
Social Security	62	479.6	502.5	527.0	485.7	512.8	479.6	485.1	486.1	492.1	508.3	511.2	514.2	517.3	532.3	535.5	538.7
Regular	63	479.6	492.5	504.7	485.7	499.5	479.6	485.1	486.1	492.1	495.0	497.9	500.9	504.0	507.1	510.3	513.5

1. Fiscal year estimates are the sum of not seasonally adjusted quarterly values that are consistent with the budget proposals.

2. The estimates are published in the NIPA tables 3.2 and 3.7. BEA's estimate of corporate profits tax accruals for the fourth quarter of 2004 will not be available until the release of the final estimate of gross domestic product on March 30,

2005. The value shown is derived from the budget.

3. Most transportation grants-in-aid to state and local governments are classified as capital transfer payments (see addenda); however, water and railroad transportation grants are still classified as current-account transactions.

4. Gross investment consists of general government and government enterprise expenditures for fixed assets; inventory

continue to increase in the first and second quarters of 2006 and then decrease in the third quarter.

Net borrowing. Net borrowing decreased from \$437.4 billion in the first quarter of 2004 to \$425.5 billion in the fourth quarter. In 2005, net borrowing is

projected to increase in the first and the second quarters and to decrease in the third and fourth quarters. In 2006, net borrowing is projected to increase in the first quarter and to decrease in the second and the third quarters.

and Expenditures, NIPA Framework

quarters at seasonally adjusted annual rates]

	Line	Fiscal year estimates ¹				Calendar year		Quarter								
		Fiscal year estimates ¹			Published ² Estimated		Published ²				Estimated					
					Published ²				Estimated							
					2004		2005		2004		2005		2006			
2004	2005	2006	2004	2005	I	II	III	IV	I	II	III	IV	I	II	III	
Benefit increases.....	64	.....	10.0	22.2	.....	13.3	.....	.....	.....	13.3	13.3	13.3	13.3	25.2	25.2	25.2
January 2005.....	65	.....	10.0	13.3	.....	13.3	.....	.....	.....	13.3	13.3	13.3	13.3	13.3	13.3	13.3
January 2006.....	66	.....	.....	8.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	11.9	11.9	11.9
Medicare.....	67	293.7	324.6	388.0	293.4	323.6	282.5	289.0	296.3	306.0	313.7	321.1	328.4	331.2	400.6	397.2
Unemployment benefits.....	68	43.6	36.5	38.0	35.0	30.7	41.9	33.9	32.8	31.5	31.1	30.7	30.2	30.9	31.5	32.7
Veterans benefits.....	69	32.7	35.8	37.3	33.3	35.6	33.2	33.1	33.4	33.7	35.1	35.6	35.9	36.0	36.8	36.8
Railroad retirement.....	70	9.8	9.6	8.3	9.0	8.5	9.0	9.0	9.0	9.0	8.8	8.6	8.4	8.1	7.8	7.4
Military medical insurance.....	71	4.8	5.5	6.0	5.0	5.9	4.8	4.9	5.1	5.3	5.6	5.8	6.0	6.1	6.2	6.3
Food stamps.....	72	24.7	29.7	33.2	25.4	32.4	23.7	24.4	25.3	28.0	30.1	31.8	33.4	34.2	34.3	34.4
Black lung benefits.....	73	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Supplemental security income.....	74	32.4	35.8	38.4	32.4	36.7	32.0	32.3	32.5	32.6	34.5	36.3	38.1	38.1	38.0	37.9
Earned income and other tax credits.....	75	42.1	47.4	47.4	41.1	46.5	41.1	41.1	41.1	41.1	46.5	46.5	46.5	46.5	46.5	46.5
All other.....	76	38.8	34.9	36.5	37.3	30.6	34.9	36.4	39.0	39.1	35.0	30.9	26.7	30.0	33.1	36.2
To rest of the world.....	77	2.9	3.0	3.1	3.0	3.0	2.9	2.9	3.0	3.1	2.9	3.0	3.1	3.2	3.1	3.2
Grants-in-aid to state and local governments.....	78	349.0	366.8	367.2	350.4	368.7	346.0	351.9	342.1	361.6	362.9	369.7	371.6	370.7	364.3	366.5
Central executive, legislative, and judicial activities.....	79	7.3	2.1	2.4	1.9	2.1	1.8	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.3	2.4
Space.....	80	0.6	0.6	0.6	0.4	0.6	0.7	0.4	0.4	0.3	0.6	0.6	0.7	0.6	0.6	0.6
National defense.....	81	3.7	4.1	3.9	3.5	4.3	3.2	3.5	3.8	3.5	3.9	4.2	4.6	4.3	4.1	3.8
Civilian safety.....	82	4.2	4.9	5.3	4.9	5.2	4.7	5.2	5.1	4.5	4.7	5.3	5.6	5.3	5.4	5.4
Education.....	83	36.5	40.4	40.7	38.9	39.2	36.9	35.9	38.7	44.2	41.3	38.8	37.6	39.2	40.5	41.5
Health and hospitals.....	84	22.2	24.3	26.3	22.4	24.9	22.5	20.8	23.0	23.4	23.8	24.7	25.4	25.6	25.8	26.7
Income support, social security, and welfare	85	247.3	262.9	261.0	250.7	264.7	250.1	256.8	240.0	256.0	258.9	265.9	267.8	266.3	257.3	257.7
Disability.....	86	1.8	2.0	2.1	1.9	2.0	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.1	2.1	2.1
Unemployment insurance.....	87	3.7	3.7	3.6	3.5	3.7	3.7	3.3	3.7	3.3	3.9	3.8	3.8	3.6	3.7	3.6
Medical care (Medicaid).....	88	176.0	188.2	185.7	177.6	191.7	178.1	187.0	169.2	176.3	186.2	193.0	195.9	191.5	182.2	181.9
Welfare and social services.....	89	61.8	64.3	64.9	62.3	64.4	63.1	61.2	60.8	64.0	64.4	64.7	64.1	64.4	64.8	65.3
Other income support.....	90	4.0	4.7	4.8	5.4	2.9	3.3	3.5	4.5	10.4	2.5	2.3	2.0	4.7	4.6	4.8
Veterans benefits and services.....	91	0.6	0.6	0.3	0.5	0.6	0.6	0.3	0.5	0.6	0.7	0.6	0.6	0.3	0.3	0.3
Housing and community services.....	92	14.1	13.9	15.1	13.7	14.2	13.0	14.1	14.3	13.5	13.7	14.1	14.3	14.5	15.2	15.2
Recreational and cultural activities.....	93	0.5	0.6	0.6	0.4	0.6	0.4	0.4	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Energy.....	94	1.3	1.4	1.4	1.3	1.4	1.3	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Agriculture.....	95	1.2	1.3	1.0	1.6	1.2	1.6	1.9	2.0	1.0	1.3	1.4	1.2	1.0	1.0	1.0
Natural resources.....	96	3.5	4.5	4.2	3.8	4.2	2.9	3.0	4.4	4.7	4.4	4.3	4.1	4.2	4.2	4.1
Transportation ³	97	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic development, regulation, and services.....	98	1.7	1.5	0.5	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.2
Labor training and services.....	99	4.3	3.7	3.8	5.9	5.1	6.1	6.2	5.7	5.7	5.2	5.1	5.0	5.1	5.2	5.4
Other current transfer payments to the rest of the world.....	100	22.5	26.4	31.9	26.3	30.3	33.7	23.0	22.4	25.9	36.2	25.9	27.6	31.2	41.4	31.4
Federal interest paid.....	101	219.7	241.5	276.9	219.0	242.7	211.1	220.7	220.0	224.2	230.7	238.2	246.5	255.5	265.1	275.2
Subsidies.....	102	41.1	52.9	54.5	39.7	49.5	39.7	38.7	39.0	41.6	45.9	49.5	52.1	50.3	52.2	48.7
Agricultural.....	103	11.6	23.1	21.0	10.8	20.6	11.1	10.0	10.0	12.1	17.0	20.7	23.3	21.3	18.1	14.5
Housing.....	104	26.9	27.4	28.5	26.3	27.1	26.3	26.3	26.2	26.5	26.6	26.9	27.1	27.7	27.9	28.0
Other.....	105	2.6	2.4	4.9	2.6	1.8	2.3	2.3	2.8	3.0	2.3	1.9	1.6	1.2	6.2	6.1
Less: Wage accruals less disbursements.....	106	0.0	0.0	0.0	0.0	0.0	1.5	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Federal Government saving.....	107	-387.9	-402.5	-392.5	-379.3	-392.2	-391.0	-380.0	-375.0	-371.2	-403.1	-402.5	-392.6	-370.5	-428.0	-386.7
Addenda:																
Gross investment ⁴	108	99.2	107.7	108.3	105.5	110.1	102.2	104.1	104.4	111.4	109.0	108.5	110.3	112.4	109.4	110.6
National defense.....	109	67.4	72.7	71.9	70.5	72.4	69.0	67.6	69.8	75.4	72.2	70.9	72.2	74.3	71.0	71.9
Nondefense.....	110	31.7	35.0	36.4	35.1	37.7	33.2	36.5	34.6	36.0	36.9	37.6	38.1	38.1	38.4	38.7
Consumption expenditures and gross investment.....	111	808.2	877.5	863.5	810.2	863.6	793.3	804.4	817.4	825.6	850.4	870.7	872.8	860.3	853.9	840.2
National defense.....	112	536.7	582.9	559.6	548.0	584.2	534.1	541.3	557.0	559.8	578.0	592.1	589.9	577.0	567.0	555.9
Nondefense.....	113	271.4	294.6	303.9	262.1	279.3	259.1	263.2	260.4	265.8	272.4	278.7	282.9	283.3	286.9	284.3
Total receipts.....	114	1,984.0	2,144.5	2,283.0	1,986.0	2,140.8	1,939.5	1,972.0	1,991.9	2,040.5	2,087.2	2,126.1	2,160.8	2,189.1	2,233.0	2,263.1
Current receipts.....	115	1,959.3	2,120.9	2,257.0	1,962.2	2,119.5	1,915.3	1,949.1	1,965.8	2,018.5	2,066.3	2,105.1	2,139.4	2,167.2	2,210.3	2,239.3
Capital transfer receipts.....	116	24.7	23.6	26.0	23.8	21.3	24.2	23.0	26.1	22.0	20.9	21.0	21.3	21.9	22.7	23.8
Total expenditures.....	117	2,416.7	2,599.9	2,728.7	2,415.1	2,592.2	2,376.9	2,397.2	2,420.4	2,465.9	2,548.1	2,587.2	2,613.0	2,620.3	2,718.6	2,708.0
Current expenditures.....	118	2,347.1	2,523.3	2,649.5	2,341.5	2,511.7	2,306.3	2,329.1	2,340.8	2,389.7	2,469.4	2,507.6	2,532.1	2,537.7	2,638.3	2,626.1
Gross government investment.....	119	99.2	107.7	108.3	105.5	110.1	102.2	104.1	104.4	111.4	109.0	108.5	110.3	112.4	109.4	110.6
Capital transfer payments.....	120	61.9	63.0	66.6	61.1	64.5	60.0	57.5	66.9	59.9	63.0	65.0	64.9	65.1	66.3	67.2
Net purchases of nonproduced assets.....	121	0.1	-0.1	-0.1	0.0	0.2	0.0	-0.8	1.8	-1.1	0.2	0.2	0.2	0.2	0.2	0.2
Less: Consumption of fixed capital.....	122	91.7	94.0	95.7	92.9	94.3	91.6	92.8	93.4	94.0	93.6	94.0	94.4	95.1	95.5	96.0
Net lending or net borrowing (-).....	123	-432.7	-455.4	-445.7	-429.1	-451.3	-437.4	-425.1	-428.5	-425.5	-460.8	-461.1	-452.2	-431.2	-485.6	-444.9

Investment is included in Federal Government consumption expenditures.

NOTE: Estimates for NIPA receipts for fiscal years 2004–2006, NIPA expenditures for 2005 and 2006, published estimates for the fourth quarter of 2004, and estimates for subsequent quarters differ from the fiscal year and quarterly estimates in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006* because of additional data received after the budget was released.

Sources: *Budget of the United States Government, Fiscal Year 2006* and the Bureau of Economic Analysis.

FICA Federal Insurance Contributions Act
NIPAs National Income and product accounts
SECA Self-Employment Contributions Act

Translation of Budget Data into a NIPA Framework

BEA uses a detailed analytical process to translate Federal budget receipts and outlays into a NIPA framework.

Receipts

Fiscal year budget data for receipts are supplemented by information on the effects of budget proposals from the Department of the Treasury's Office of Tax Analysis. These data are analyzed for their effects on the following major components of the NIPA Federal Government current receipts: Current tax receipts, contributions for government social insurance, income receipts on assets, current transfer receipts, and current surplus of government enterprises. Quarterly projections are based on the economic assumptions from the Federal budget. When monthly and quarterly NIPA estimates are released by BEA, these initial quarterly projections of receipts are reevaluated and revised to incorporate newly available data from the Department of the Treasury.

Outlays

Fiscal year budget outlays are organized by appropriation in the Federal budget's appendix.¹³ These data and supplemental data from the Office of Management and Budget are used to allocate Federal budget outlays to the following NIPA categories: Current transfer payments, interest payments, subsidies, and consumption expenditures and gross investment.¹⁴ The quarterly

projections are mainly derived by interpolation from fiscal year projections.

When BEA releases its quarterly NIPA estimates, the fiscal year relationships derived from the budget data are used to allocate the spending that is detailed in the *Monthly Treasury Statement of Receipts and Outlays of the United States Government*.¹⁵ Supplemental data are also used. A detailed reconciliation of defense consumption expenditures and gross investment with outlays is prepared, using extensive financial, delivery, and other information from the Department of Defense. In order to prepare seasonally adjusted estimates of non-defense consumption expenditures and gross investment, data from the budget are used to extrapolate portions of nondefense expenditures (for durable goods, for "other nondurable goods," for "other services," and for equipment) for which there are no quarterly source data. These extrapolated estimates of expenditures incorporate quarterly data for certain expenditures, such as those for construction from the Census Bureau and for compensation from the Office of Personnel Management and the Bureau of Labor Statistics.

Updated estimates

BEA's initial quarterly projections of Federal Government receipts and expenditures will likely differ from later estimates. The initial estimates are prepared using budget data, which are based on various economic assumptions about the budget year. These estimates are then updated during the year as new laws are enacted, as actual spending occurs, as economic conditions change, and as more source data become available.

13. See *Appendix: Budget of the United States Government, Fiscal Year 2006*.

14. Outlays by program are first adjusted for coverage (for example, for geographical adjustments) and for netting and grossing (for example, supplemental medical insurance premiums).

15. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement* (Washington, D.C.: U.S. Government Printing Office) <www.fms.treas.gov/mts>.